

A medical appliance is defined as an item which is intended by its manufacturer for use in directly substituting for a malfunctioning part of the body. See 86 Ill. Adm. Code 130.310(c). (This is a GIL.)

January 15, 1999

Dear Sir or Madam:

This letter is in response to your letter dated December 8, 1998. The nature of your letter and the information you have provided require that we respond with a General Information Letter which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 86 Ill. Adm. Code 1200.120(b) and (c), enclosed.

In your letter, you have stated and made inquiry as follows:

BUSINESS is one of the largest and most diversified suppliers of medical systems and solutions to the health care industry. The following is a list of the products manufactured by BUSINESS. We would like to know if these types of equipment are taxable or qualify for a manufacturing equipment in your state. Please indicate by placing an X in the appropriate column. In cases where the equipment is taxable but at a reduced tax rate, please indicate the appropriate rate. We would appreciate it if the code citing were indicated where applicable.

	<u>EXEMPT</u>	<u>TAXABLE</u>	<u>CODE CITING</u>
= Angiography Equipment			
= Cardiac Cath Lab Equipment			
= Clinical Networking Systems (Teleradiology) (Transfer of medical images over ISDN lines)			
= Computed Tomography Equipment			
= Lithotripsy Equipment			
= Mammography Equipment			
= Mobile X-Ray Units			
= MRI Equipment			
= Nuclear Medicine Imaging Systems (E. Cam, Multispect 2 & 3, Open Diacam, Open Orbiter)			
= Oncology Equipment (Simview 3000)			

- = R/F Systems (Fluorospot T.O.P., Siregraph CF & TOP, Sireskop CX & SX)
- = Radiographic Systems (Multix Table)
- = Telecommunications Equipment
- = Ultrasound Equipment (Sonoline Elegra, Sonoline Prima Sonoline Sienna and Sonoline Versa Plus)
- = Ventilators (Servo 300 and Servo 900)

We have enclosed a postage paid self-addressed envelope for your response. Thanks in anticipation of your cooperation.

We are unable to answer your letter in the manner you requested. Nor are we able to give you definitive answers on the list of equipment you provided due to the limited information regarding the use and operation of the machines.

All gross receipts from sales of tangible personal property in Illinois are subject to Retailers' Occupation Tax unless an exemption is specifically provided. Medicines and medical appliances are not taxed at the normal rate of 6.25%. These items are taxed at a lower rate of 1%. See the enclosed copy of 86 Ill. Adm. Code 130.310. Items subject to this lower tax rate include prescription and nonprescription medicines, drugs, medical appliances, and insulin, urine testing utensils, syringes, and needles used by diabetics, for human use.

A medical appliance is defined as an item which is intended by its manufacturer for use in directly substituting for a malfunctioning part of the body. See 86 Ill. Adm. Code 130.310(c). Medical devices that are used for diagnostic or treatment purposes do not qualify for the lower tax rate.

In general, in order to qualify as a medical appliance, the product must directly substitute for a malfunctioning part of the body. Some of the products specifically listed in the regulation as qualifying for the reduced rate are home glucose monitors, home blood glucose test strips and related supplies used to treat human diabetes. Other products that directly substitute for a malfunctioning part of the body include urological catheters, leg bags, ostomy pouches and drain bags, and mastectomy prosthetic devices such as forms and bras. Supplies, such as non-sterile cotton swabs, disposable diapers, toilet paper, tissues and towelettes and cosmetics, such as lipsticks, perfume and hair tonics do not qualify for the reduced rate. Sterile dressings, bandages and gauze do qualify for the reduced rate.

I hope this information is helpful. The Department of Revenue maintains a Web site which can be accessed at [www.revenue.state.il.us](http://www.revenue.state.il.us). If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

ST 99-0041-GIL

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of the enclosed copy of Section 1200.110(b).

Very truly yours,

Melanie A. Jarvis  
Associate Counsel

MAJ:msk  
Enc.